STATE OF CALIFORNIA   STEVE WESTLY,
                                                                 California State Controller

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
P. O. BOX 942850
Sacramento, CA 94250-5878

DATE: April 3, 2006   PAYROLL LETTER #06-005
                                            CIVIL SERVICE ONLY

TO: All Agencies in the Uniform State Payroll System

FROM: JOHN R. HARRIGAN, Chief
         Personnel/Payroll Services Division

RE: **IMPLEMENTATION OF STATE DISABILITY INSURANCE (SDI) BENEFITS**

Per the Department of Personnel Administration's (DPA) PML 2006-012, effective April 1, 2006,
SEIU rank and file employees in Bargaining Units 1, 3, 4, 11, 14, 15, 17, 20, and 21 may be eligible to
begin receiving SDI benefits. To receive SDI benefit payments, an employee must have earned at least
$300.00 in wages during the 12-month base period, filed a claim for SDI with the Employment
Development Department (EDD), submitted a Doctor's Certificate to EDD, and served a seven-
calendar day waiting period.

Effective April 1, 2006 these employees will no longer be eligible for Non-Industrial Disability (NDI)
benefits. Any employee who is receiving NDI benefits on March 31, 2006, will need to submit a
request for SDI benefits beginning April 1. If eligible for SDI benefits, the employee must serve a
seven-calendar day waiting period.

DOCUMENTING SDI ON EMPLOYMENT HISTORY

The following Employment History documentation instructions supersede Payroll Letter #05-010 and
the Personnel Action Manual (PAM) Section 5 – State Disability Insurance Leave Documentation (new
11/05).

An S50, Leave of Absence, PAR transaction is used to document SDI on Employment History and
must be granted by the employer. The S50 is effective following the seven-calendar day SDI waiting
period. The employee has the option of using leave credits while serving the seven-calendar day
waiting period and may use leave credits before beginning SDI benefits and continuing through the
seven-calendar day waiting period. If the employee is off work pending approval of the leave of
absence, or approval of the SDI claim, an S57 transaction should be posted placing the employee on
temporary leave status pending a decision. If the employee chooses to use leave credits pending the
SDI approval, post an A03 transaction returning the employee to pay status. If SDI is approved, the
S50 should be completed as indicated below.

In item 603, Reason for Separation enter:

- Code 35 - Employee on State Disability Insurance leave of absence and eligible for FMLA
  benefits or

- Code 36 - Employee on a State Disability Insurance leave of absence and not eligible for FMLA benefits

If the employee's FMLA status changes while on SDI leave of absence, process a new S50 transaction with the correct separation reason code. The effective date of the S50 transaction should be the date of the FMLA status change. If the employee is eligible for continuing payment of medical benefits under the FMLA refer to the Payroll Procedures Manual (PPM) sections H826 and H827 for documentation instructions.

In Item 645, Separation Expiration Date enter:

- The anticipated date the employee will return to work if known. If the return date is not known, the date that is one year from the S50 transaction effective date (Item 210) that initially placed the employee on SDI leave of absence should be entered.

S50 transactions processed with separation reason code 35 or 36 will generate a NOPA message indicating that the employee is on an SDI leave of absence. When the employee returns to work, process an A03 transaction per instructions in the PAM Section 3.42.

TAKING EMPLOYEES OFF NDI

Employees on NDI on March 31, 2006 must be taken off by posting an S57 transaction effective April 1 (BOB) or an A03 transaction if the employee chooses to use leave credits pending approval of SDI. If the employee requests a leave of absence for SDI, post an S50 transaction according to the instructions indicated above. If the employee returns to work or uses leave credits, post an A03 effective April 1 (BOB) then a subsequent S50 if the employee requests a leave of absence for SDI.

WORKING WHILE ON SDI

Employees may work while receiving SDI benefits if authorized by a physician. Payment requests must be submitted to the Controller's Office on form STD.674. The time worked combined with the SDI benefit amount cannot exceed the total monthly regular gross pay for the employee. Payments for working while receiving SDI benefits will be issued as regular pay and are subject to mandatory deductions. Voluntary deductions will be withheld if there is sufficient net pay. If the time worked combined with the SDI benefit amount exceeds the employees total monthly regular gross pay, the SDI benefit will be reduced by EDD.

To document an employee working while on SDI, process an S50 transaction effective following the seven-calendar day SDI waiting period and indicate in item 215 "Working on SDI". If the employee has a qualifying pay period while working on SDI, post a 715 transaction per PAM Section 2.90 and 3.136. If the status changes and the employee is no longer working while on SDI, post a 215 transaction indicating "Full SDI". When the employee returns to work, process an A03 transaction per instructions in the PAM Section 3.42.

COMPLETION OF FORM STD.674 (Working while on SDI)

BOX 1   Check PPSD/Payroll Services Box and the Disability Box
BOX 2   Enter Social Security Number
BOX 3   Enter employee name

BOX 4   Enter position number for pay period of the request
BOX 5   Mark payment request. In REMARKS enter: Working on SDI. Show
             dates and hours worked
BOX 6 – B   Complete the following information:
             Pay period of the request   Gross type
             Salary type   Pmt. type
             Salary full   Adj code
             Time worked   Gross
             Appt. Frac (if applicable)
BOX 7   Complete the following information:
             Completed by
             Telephone number and extension
             From (agency name)
             Authorized Signature
             Date signed

NOTE: Employees cannot use leave credits to supplement while on SDI. No pay will be issued for working while on SDI if the S50 has not been processed. All requests for working while on SDI must be submitted to PPSD.

DEDUCTIONS

Employees who are approved to receive SDI benefits and meet the criteria for FMLA, are eligible for 12 weeks of continuing payment of medical benefits. Please refer to PPM sections H826 and H827 for documentation instructions. Employees who are not eligible for FMLA or who have exhausted their 12 week coverage must make direct payments to their medical provider if they wish to continue coverage. Employees are responsible for making arrangements for continuing voluntary deductions. Upon returning to active employment the voluntary deductions will be reestablished automatically.

CHILD SUPPORT PAYMENTS

Delinquent child support payments will be withheld from SDI benefit payments if requested by the Department of Child Support Services (DCSS). If an employee is working while receiving SDI benefit payments, the possibility of over withholding exists. Please contact the DCSS to determine if a corrected Salary Garnishment STD 639 is needed. Questions about child support obligations or over collections should be directed to the DCSS at 1-866-249-0773.

REFERENCES

For agency responsibilities, program guidelines, and information, please see PML 2005-015, dated May 3, 2005, PML 2005-020, dated July 6, 2005, and PML 2006-012, dated March 23, 2006.

CONTACTS

General questions concerning this letter may be directed to Lynn Black at (916) 327-3926 or by email at Lblack@sco.ca.gov. Questions concerning Employment History documentation should be directed to the Personnel Liaison Unit at (916) 322-6500 and questions concerning benefits should be directed to the Benefits Liaison Unit at (916) 323-4718. Additional information concerning SDI is available on

the EDD website at http://www.edd.ca.gov/direp/diind.htm and the DPA website at http://www.dpa.ca.gov.

Revisions to the PPM and the PAM are forthcoming.

JRH:LB:PMAB